



## Alliance Digitale responses following DG Comp queries regarding the current assessment of the Google Privacy Sandbox

In May 2023, Alliance Digitale forwarded an updated memorandum regarding the Fledge API to the DG Comp team, now recognized as the Protected Audience API.

In mid-November, DG Comp once again approached Alliance Digitale seeking our perspective on the ongoing evaluation of the Privacy Sandbox, with a specific focus on any areas of concern, notably regarding the Protected Audience API.

In response to this inquiry, Alliance Digitale wishes to underscore various apprehensions pertaining to Google Ad Manager (GAM) and auctions involving the Protected Audience API.

### 1. A description of auction process in the Protected Audience API

In the conventional Real-Time Bidding (RTB) process, the ad server conducts the final auction, determining a winner from Guaranteed Line Items, Header Bidding, and RTB bids.

The introduction of the Protected Audience API brings a novel auction layer occurring on the user's device. This layer becomes the exclusive space where bidders can access cross-site user data stored in Interest Groups.

The data within Interest Groups offers crucial insights into a user's purchasing patterns and intentions. This factor is poised to elevate the significance of the Protected Audience API auction, making it the auction with the highest bids. Ultimately, this holds substantial importance for both advertisers and publishers.

For a given advertising opportunity, the Protected Audience API auctions are split into two layers:

- Component auctions that occur as a first layer and which can be numerous, each of them run by a different SSP and each receiving bids from multiple DSPs having Interest Groups;
- The top-level auction that is unique and run by a single SSP and which is made for selecting the winner among winning bids from component auctions.

Component and top-level auctions are configured and run by SSPs, which includes setting floors or reserve prices (floor on the top-level auction) and defining “ScoreAd ()” functions that pick a winner (price doesn’t have to be the sole criteria).

As part of Protected Audience API, auctions are to be run on-device, and until the Bidding and Auction service is widely used in the industry, the number of participating DSPs and SSPs for one ad opportunity will be constrained by the device resources and is likely to be far more constrained than for usual server-side auctions. This is especially true considering that each interest group will generate one request to the DSP, as opposed to current auctions where each DSPs are called once for a given ad opportunity across all interest groups (identified via a cookie). This multiplied by the fact that each DSP can be called by multiple SSPs, the number of client-side request will increase exponentially.

While it’s difficult to give a number until latency and resource consumption assessment have been done on a test population and even if Google Chrome has made continuous efforts to improve auction speed (see [documentation](#) for perBuyerCumulativeTimeouts, perBuyerTimeouts, sellerTimeout or [here](#)), our concerns remain and we expect far fewer participants per auction than with the current RTB setup.

## 2. Google’s position in the Protected Audience API remains privileged

For the open web publishers using Google Ad Manager (GAM) as an ad server, which is the case for a proportion between 90 and 100% according to the CMA<sup>1</sup>, GAM is to be in a privileged position regarding Protected Audience auctions.

### *2.1 GAM will be the mandatory passage point for all component auctions’ configurations*

In the traditional header bidding configuration, the header bidding configuration doesn't have to pass through Google Ad Manager (GAM) and is exclusive to each SSP. Moreover, in the existing setup, information exchanged between DSPs and SSPs is confined within the realms of each SSP, with no data shared outside the boundaries of individual SSPs

In their documentation<sup>2</sup>, Google explains:

*“The adjusted bid price from the contextual auction winner, along with the buyer’s signals (perBuyerSignals) and seller’s component auction configs gathered by Prebid.js can be passed into the Protected Audience auction by the Publisher Ad Server’s client-side library.”*

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<sup>1</sup> <https://www.gov.uk/cma-cases/online-platforms-and-digital-advertising-market-study>

<sup>2</sup> <https://developer.chrome.com/docs/privacy-sandbox/protected-audience-api/sequential-auction-setup/>

This situation implies that Google Ad Manager (GAM) has access to valuable information from competitors, including contextual auction prices, signals provided by buyers to SSPs for the Protected Audience auction, and configuration parameters from the SSPs.

## *2.2 GAM will be the only entity able to run the top-level auction*

Within the Privacy Sandbox framework, the winning bid from the "ad server auction" essentially becomes a necessary input for Protected Audience API auctions in practice. This is because the winning bid from a Protected Audience API auction cannot be transmitted back to the ad server.

Instead, the advertisement associated with that winning bid is promptly rendered in the browser. Consequently, the winning bid from the "ad server auction" needs to be communicated as the floor of the Protected Audience auction.

If the winning bid from the Protected Audience auction surpasses this floor, the associated ad is immediately rendered. In the absence of any Protected Audience bids surpassing this floor, the Protected Audience auction returns "null" and the ad display is handled by the Ad Server

A May 2023 addition to Protected Audience API<sup>3</sup> allows the SSP that owns the Ad Server to transmit the "Ad Server winning bid" to the Protected Audience, which operates on the publisher's page. Importantly, this information is conveyed without being disclosed on the page.

Consequently, neither the publisher nor any third party should have the capability to access this information, which prevents any type of control of information transmitted by the ad server. This effectively designates Google Ad Manager (GAM) as the sole entity capable of conducting the top-level auction.

## *2.3 GAM only participates in the component auction if they are the entity in charge of the top-level auction*

Google Ad Manager (GAM) has officially stated they will only participate in the component auction if they are the entity in charge of the top-level auction<sup>4</sup>.

This positioning raises multiple concerns as described in the following section 3.

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<sup>3</sup> GitHub Securely Propagating Auction Signals FLEDGE:  
<https://github.com/WICG/turtledove/issues/119#issuecomment-1560483890>

<sup>4</sup> Google 2023 Q3 report CMA: Pages 11 and 12: see Table regarding Protected Audience API; Page 31: "GAM also intends to use machine learning models to determine whether to trigger a Protected Audience API auction to optimize for total publisher revenue from all sources (including direct sold reservations, revenue from programmatic auctions from AdX, and revenue from other SSPs a publisher works with)."  
[https://assets.publishing.service.gov.uk/media/653a491d80884d000df71b70/Google\\_s\\_Q3\\_2023\\_report\\_.pdf](https://assets.publishing.service.gov.uk/media/653a491d80884d000df71b70/Google_s_Q3_2023_report_.pdf)

### 3. A privileged position could have major consequences for the rest of the market

#### *3.1 GAM could select which other SSPs can participate in component auctions*

As the top-level auction runner, GAM will control which SSPs run component auctions for each ad opportunity.

Coupled with the restriction that Protected Audience on-device auctions would only accommodate a limited number of SSPs and DSPs due to latency and resource constraints, this consolidates a robust position for Google Ad Manager (GAM) in the market. Essentially, GAM gains the authority to determine which entities can participate in component auctions and which ones are excluded, further strengthening its influence.

#### *3.2 GAM could apply a specific and undisclosed floor to each component auction winning bid*

As the top-level auction runner, GAM would also have complete latitude on criteria to pick the top-level auction winner amongst component auction winners.

Within these criteria, Google Ad Manager (GAM) could implement a particular undisclosed floor for each winning bid originating from the component auctions and reject any component auction winner falling below this floor. This introduces an asymmetry of information since GAM would be privy to this floor, potentially using it to inform its own component auction strategy, while other participants in the component auction may not have access to this information. It's worth noting that this mechanism bears similarities to a recent adjustment in GAM's flooring mechanisms ("Unified Pricing Rules"<sup>5</sup>), which faced wide industry criticism upon its enforcement.

This mechanism could also prevent a Publisher to operate specific pricing conditions negotiated with a buyer in another SSP (because this reduced floor could be lower than the floor publisher wants to apply to Google) which makes GAM the only SSP where these negotiated pricing conditions can apply. This is quite damaging as these pricing conditions are usually negotiated with Tier 1 buyers having access to the larger budgets.

#### *3.3 GAM could use to its own advantage data other bidders don't have*

We understand that Google Ad Manager (GAM) has the capability to access crucial information such as the contextual winning bid amount, the component auctions' floor, or any criteria utilized in selecting the winner at the top-level auction.

The consequences for the market could be important:

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<sup>5</sup> <https://digiday.com/media/shakedown-everything-need-know-googles-unified-pricing-product-changes/>

- GAM could leverage this information for business intelligence purposes or to enhance ad decision-making in real-time;
- Additionally, even if not used in real-time this data could be utilized to feed machine learning algorithms for future decision-making, optimizing GAM's own component auction parameters or refining its buying strategy, such as bids within DV360;

Consequently, this creates an uneven playing field, providing an unfair advantage to GAM and DV360. Other competitors, including SSPs or DSPs, would not have access to such critical information, limiting their ability to make informed decisions or optimizations in a comparable manner.

It should be emphasized that, as mentioned in the Google Q3 2023 report to the CMA<sup>6</sup>, GAM asserts that it will not disclose the contextual winning bid amount as a floor in any component auction, including its own. However, from a technical standpoint, there is no inherent barrier preventing this from occurring. Here again, if not used in real-time, this data can be used to feed machine learning algorithm for future optimization.

#### *3.4 Google maintains the bundle of Adserver + AdX offering.*

In a scenario where Google Ad Manager (GAM) exclusively participates as the top-level auctioneer, it implies that there is no opportunity for a third-party ad server to leverage Google SSP demand through the Protected Audience API.

This is because Google would only be engaged in the component auction, while the responsibility for running the top-level auction would be entrusted to the third-party ad server. Consequently, the third-party ad server would not have access to Google's participation in the higher-level auction, limiting its ability to benefit from Google SSP demand in the context of the Protected Audience API.

#### *3.5 Buyer default opt-out on component auctions is likely to result in lower outcomes for component auctions*

Not all Protected Audience auctions necessitate both component and top-level auctions. In its most straightforward manifestation, the Protected Audience API auction takes the form of a single-shot auction managed by an SSP on the user's device.

Buyers would by default participate in one-shot auctions, but engaging in component auctions requires a buyer to opt-in.

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<sup>6</sup> Google 2023 Q3 report CMA.  
[https://assets.publishing.service.gov.uk/media/653a491d80884d000df71b70/Google\\_s\\_Q3\\_2023\\_report\\_.pdf](https://assets.publishing.service.gov.uk/media/653a491d80884d000df71b70/Google_s_Q3_2023_report_.pdf)

This implies that SSPs utilizing component auctions (those not affiliated with Google) are likely to encounter diminished demand and consequently achieve lower yield for their publishers compared to SSPs utilizing one-shot auctions (such as Google). Google would however maintain access to 100% of the Protected Audience API demand.

#### 4. Proposed solutions

To uphold diversity and foster competition in the advertising market, and recognizing that Google Ad Manager's (GAM) dominance in the ad server market should not translate into a privileged position in the SSP market, we propose the following:

- The publisher should be in control of which SSP is running the top-level auction, independently of which SSP participates in the component auctions:
  - Prevent any platform to condition their participation to component auction by being top-level auctioneer;
  - Only the data required to execute that top-level auction should be made available to that top-level auctioneer adserver or SSP (e.g. contextual auction winner price, buyer signals or seller configuration should not be made available);
  - Prevent any top-level auctioneer to apply an undisclosed floor to component auctions participants.
- The publisher should be in control of which SSPs are running component auctions;
- Any auction configuration data should be securely transmitted from the SSP servers, when running an auction, to the component auction itself;
- Any bidding data (perBuyerSignals) should be securely transmitted from the DSP server to the DSP bidding scripts on-device.